

AMENDED IN SENATE JUNE 11, 2013

AMENDED IN SENATE MAY 29, 2013

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 279**

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**Introduced by Assembly Member Dickinson**

February 11, 2013

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An act to amend, repeal, and add Sections 53601.8 and 53635.8 of the Government Code, relating to local government.

### LEGISLATIVE COUNSEL’S DIGEST

AB 279, as amended, Dickinson. Financial affairs.

Existing law prescribes the instruments in and criteria by which a local agency, as defined, may invest and deposit its funds, including its surplus funds. Existing law authorizes a local agency to invest in specified certificates of deposit.

This bill would, until January 1, ~~2019~~, 2017, remove the term “certificates of deposit” and instead authorize a local agency to invest in deposits, as specified, *and limit the amount of its funds that an agency may place with any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 53601.8 of the Government Code is amended to read:

53601.8. Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:

(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the “selected” depository institution.

(b) The selected depository institution may submit the funds to a private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency’s account.

(c) The full amount of the deposit placed pursuant to subdivision (b) by the private sector entity and the interest that may be accrued for each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(d) The selected depository institution shall serve as a custodian for each such deposit.

(e) On the same date that the local agency’s funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).

(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union Administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.

(h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

(i) Purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

(j) *Excluding purchases of certificates of deposit pursuant to this section, no more than 10 percent of the agency's funds that may be invested for this purpose may be submitted, pursuant to subdivision (b), to any one private sector entity that assists in the placement of deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.*

(j)

(k) This section shall remain in effect only until January 1, ~~2019~~, 2017, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2019~~, 2017, deletes or extends that date.

SEC. 2. Section 53601.8 is added to the Government Code, to read:

53601.8. Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds may, at its discretion, invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601

1 do not, in total, exceed 30 percent of the agency's funds that may  
2 be invested for this purpose. The following conditions shall apply:

3 (a) The local agency shall choose a nationally or state-chartered  
4 commercial bank, savings bank, savings and loan association, or  
5 credit union in this state to invest the funds, which shall be known  
6 as the "selected" depository institution.

7 (b) The selected depository institution may submit the funds to  
8 a private sector entity that assists in the placement of certificates  
9 of deposit with one or more commercial banks, savings banks,  
10 savings and loan associations, or credit unions that are located in  
11 the United States for the local agency's account.

12 (c) The full amount of the principal and the interest that may  
13 be accrued during the maximum term of each certificate of deposit  
14 shall at all times be insured by the Federal Deposit Insurance  
15 Corporation or the National Credit Union Administration.

16 (d) The selected depository institution shall serve as a custodian  
17 for each certificate of deposit that is issued with the placement  
18 service for the local agency's account.

19 (e) At the same time the local agency's funds are deposited and  
20 the certificates of deposit are issued, the selected depository  
21 institution shall receive an amount of deposits from other  
22 commercial banks, savings banks, savings and loan associations,  
23 or credit unions that, in total, are equal to, or greater than, the full  
24 amount of the principal that the local agency initially deposited  
25 through the selected depository institution for investment.

26 (f) Notwithstanding subdivisions (a) to (e), inclusive, no credit  
27 union may act as a selected depository institution under this section  
28 or Section 53635.8 unless both of the following conditions are  
29 satisfied:

30 (1) The credit union offers federal depository insurance through  
31 the National Credit Union Administration.

32 (2) The credit union is in possession of written guidance or other  
33 written communication from the National Credit Union  
34 Administration authorizing participation of federally insured credit  
35 unions in one or more certificate of deposit placement services  
36 and affirming that the moneys held by those credit unions while  
37 participating in a deposit placement service will at all times be  
38 insured by the federal government.

1 (g) It is the intent of the Legislature that this section shall not  
2 restrict competition among private sector entities that provide  
3 placement services pursuant to this section.

4 (h) This section shall become operative on January 1, ~~2019~~.  
5 ~~2017~~.

6 SEC. 3. Section 53635.8 of the Government Code is amended  
7 to read:

8 53635.8. Notwithstanding Section 53601 or any other provision  
9 of this code, a local agency that has the authority under law to  
10 invest funds, at its discretion, may invest a portion of its surplus  
11 funds in deposits at a commercial bank, savings bank, savings and  
12 loan association, or credit union that uses a private sector entity  
13 that assists in the placement of deposits. The following conditions  
14 shall apply:

15 (a) The local agency shall choose a nationally or state-chartered  
16 commercial bank, savings bank, savings and loan association, or  
17 credit union in this state to invest the funds, which shall be known  
18 as the “selected” depository institution.

19 (b) The selected depository institution may submit the funds to  
20 a private sector entity that assists in the placement of deposits with  
21 one or more commercial banks, savings banks, savings and loan  
22 associations, or credit unions that are located in the United States,  
23 for the local agency’s account.

24 (c) The full amount of the deposit placed pursuant to subdivision  
25 (b) by the private sector entity and the interest that may be accrued  
26 for each such deposit shall at all times be insured by the Federal  
27 Deposit Insurance Corporation or the National Credit Union  
28 Administration.

29 (d) The selected depository institution shall serve as a custodian  
30 for each such deposit.

31 (e) On the same date that the local agency’s funds are placed  
32 pursuant to subdivision (b) by the private sector entity, the selected  
33 depository institution shall receive an amount of insured deposits  
34 from other financial institutions that, in total, are equal to, or greater  
35 than, the full amount of the principal that the local agency initially  
36 deposited through the selected depository institution for investment  
37 pursuant to subdivision (b).

38 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit  
39 union shall not act as a selected depository institution under this

1 section or Section 53601.8 unless both of the following conditions  
2 are satisfied:

3 (1) The credit union offers federal depository insurance through  
4 the National Credit Union Administration.

5 (2) The credit union is in possession of written guidance or other  
6 written communication from the National Credit Union  
7 Administration authorizing participation of federally insured credit  
8 unions in one or more deposit placement services and affirming  
9 that the moneys held by those credit unions while participating in  
10 a deposit placement service will at all times be insured by the  
11 federal government.

12 (g) It is the intent of the Legislature that this section shall not  
13 restrict competition among private sector entities that provide  
14 placement services pursuant to this section.

15 (h) The deposits placed pursuant to this section and Section  
16 53601.8 shall not, in total, exceed 30 percent of the agency's funds  
17 that may be invested for this purpose.

18 (i) Purchases of certificates of deposit pursuant to this section,  
19 Section 53601.8, and subdivision (i) of Section 53601 shall not,  
20 in total, exceed 30 percent of the agency's funds that may be  
21 invested for this purpose.

22 (j) *Excluding purchases of certificates of deposit pursuant to*  
23 *this section, no more than 10 percent of the agency's funds that*  
24 *may be invested for this purpose may be submitted, pursuant to*  
25 *subdivision (b), to any one private sector entity that assists in the*  
26 *placement of deposits with one or more commercial banks, savings*  
27 *banks, savings and loan associations, or credit unions that are*  
28 *located in the United States, for the local agency's account.*

29 (j)

30 (k) This section shall remain in effect only until January 1, ~~2019~~,  
31 2017, and as of that date is repealed, unless a later enacted statute,  
32 that is enacted before January 1, ~~2019~~, 2017, deletes or extends  
33 that date.

34 SEC. 4. Section 53635.8 is added to the Government Code, to  
35 read:

36 53635.8. Notwithstanding Section 53601 or any other provision  
37 of this code, a local agency that has the authority under law to  
38 invest funds, at its discretion, may invest a portion of its surplus  
39 funds in certificates of deposit at a commercial bank, savings bank,  
40 savings and loan association, or credit union that uses a private

1 sector entity that assists in the placement of certificates of deposit,  
2 provided that the purchases of certificates of deposit pursuant to  
3 this section, Section 53601.8, and subdivision (i) of Section 53601  
4 do not, in total, exceed 30 percent of the agency's funds that may  
5 be invested for this purpose. The following conditions shall apply:

6 (a) The local agency shall choose a nationally or state-chartered  
7 commercial bank, savings bank, savings and loan association, or  
8 credit union in this state to invest the funds, which shall be known  
9 as the "selected" depository institution.

10 (b) The selected depository institution may submit the funds to  
11 a private sector entity that assists in the placement of certificates  
12 of deposit with one or more commercial banks, savings banks,  
13 savings and loan associations, or credit unions that are located in  
14 the United States, for the local agency's account.

15 (c) The full amount of the principal and the interest that may  
16 be accrued during the maximum term of each certificate of deposit  
17 shall at all times be insured by the Federal Deposit Insurance  
18 Corporation or the National Credit Union Administration.

19 (d) The selected depository institution shall serve as a custodian  
20 for each certificate of deposit that is issued with the placement  
21 service for the local agency's account.

22 (e) At the same time the local agency's funds are deposited and  
23 the certificates of deposit are issued, the selected depository  
24 institution shall receive an amount of deposits from other  
25 commercial banks, savings banks, savings and loan associations,  
26 or credit unions that, in total, are equal to, or greater than, the full  
27 amount of the principal that the local agency initially deposited  
28 through the selected depository institution for investment.

29 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit  
30 union shall not act as a selected depository institution under this  
31 section or Section 53601.8 unless both of the following conditions  
32 are satisfied:

33 (1) The credit union offers federal depository insurance through  
34 the National Credit Union Administration.

35 (2) The credit union is in possession of written guidance or other  
36 written communication from the National Credit Union  
37 Administration authorizing participation of federally insured credit  
38 unions in one or more certificate of deposit placement services  
39 and affirming that the moneys held by those credit unions while

1 participating in a deposit placement service will at all times be  
2 insured by the federal government.

3 (g) It is the intent of the Legislature that this section shall not  
4 restrict competition among private sector entities that provide  
5 placement services pursuant to this section.

6 (h) This section shall become operative on January 1, ~~2019~~.  
7 2017.

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